

## Message Text

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ORIGIN EB-06

INFO OCT-01 NEA-06 ISO-00 ABF-01 OMB-01 TRSE-00 AID-05

AGR-05 COME-00 FRB-01 XMB-02 IGA-01 L-01 STR-01 /031 R

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OMB:ELOENER

TREASURY:GSPITTLE

TREASURY:RANDERSON

TREASURY:FTHOMAS

EB/ORF/FFD:RBMCMULLEN

AID:GRECACHINAS

USDA:RSHEGOGUE

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R 251920Z OCT 74

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

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E.O. 11652: N/A

TAGS: EFIN, EG

SUBJECT: EGYPTIAN DEBT ARREARAGES

REF: (A) CAIRO 7044; (B) STATE 205158; (C) STATE A-7636

DATED OCTOBER 4

1. AID FIGURES ON DOLLAR ARREARAGES POUCHED TODAY. THESE, TOGETHER WITH EXIMBANK AND USDA FIGURES ALREADY SENT (REFS B AND C), CONSTITUTE COMPLETE RECORD OF EGYPTIAN DOLLAR ARREARAGES.

2. REQUEST EMBASSY PROVIDE THESE FIGURES TO GOE SOONEST  
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AND EMPHASIZE IMPORTANCE OF EARLY PAYMENT AS PROMISED IN

ZENDU LETTER (REF A). IF EMBASSY BELIEVES DESIRABLE, MAY AGAIN UNDERSCORE CREDITWORTHINESS TOO IMPORTANT TO EGYPT'S REPUTATION TO WARRANT COMPROMISE BY THESE SMALL ARREARAGES. INCIDENTALLY, WE EXPECT U.S. SIDE MAY RAISE ARREARAGE PROBLEM AT LEAST INFORMALLY DURING FORTHCOMING MEETING ECONOMIC WG.

3. ALSO, NEGOTIATIONS ON SETTLEMENT OF DOLS 56 MILLION LOCAL CURRENCY ARREARAGE SHOULD NOT BE POSTPONED ANY LONGER. WE EXPECT TO SIGN NEW AMENDMENT TO PL-480 AGREEMENT DURING BUTZ VISIT AND WOULD LIKE TO SEE PROGRESS ON THIS DEBT PRIOR TO THAT SIGNING IF AT ALL POSSIBLE (WE DO NOT HOWEVER WANT THIS ISSUE RAISED BY EGYPTIANS OR

EMBASSY WITH SECRETARY BUTZ PERSONALLY). EMBASSY SHOULD CONVEY TO GOE IMPORTANCE WHICH WE ATTACH TO ELIMINATION OF THIS POTENTIALLY TROUBLESOME PROBLEM AND POINT OUT THAT CONGRESSIONAL CONCERN ABOUT ALL DEBT ARREARAGES REMAINS HIGH.

4. OUR POSITION IS THAT THERE IS NO REASON FOR THE EGYPTIANS NOT TO PAY THEIR ENTIRE LOCAL CURRENCY ARREARAGES IMMEDIATELY:

(A) EGYPTIAN POUNDS ARE EXCESS CURRENCY. AT END FY74, WE HAD POUND BALANCE EQUIVALENT TO DOLS 259 MILLION. SCHEDULED ANNUAL USG POUND RECEIPTS THROUGH AT LEAST 1990 SET AT AVERAGE DOLS 18 MILLION. USG FY74 POUND EXPENDITURES WERE ABOUT DOLS 20 MILLION. EVEN IF USG POUND EXPENDITURES INCREASE IN COMING YEARS (AS IS NOW ANTICIPATED), IT IS VERY UNLIKELY THAT DOLS 256 MILLION BALANCE WILL BE SUBSTANTIALLY DEPLETED BY USG FOR MANY YEARS EXCEPT FOR POSSIBLE COUNTRY USES AS AGREED BY GOE. HENCE TRANSFER OF DOLS 56 MILLION DUE ON ARREARAGES IS ESSENTIALLY A BOOKKEEPING TRANSACTION AND INFLATIONARY IMPACT WILL BE NIL.

(B) PAYMENT OF THE ARREARAGES WILL FACILITATE CONTINUED SUPPORT WITHIN USG FOR EXTENSION OF NEW PL-480 CREDITS.

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5. SHOULD GOE REFUSE IMMEDIATE SETTLEMENT OF ALL LOCAL CURRENCY ARREARAGES, EMBASSY SHOULD SEEK GOE JUSTIFICATION OF ITS POSITION. IN THIS EVENT, WOULD APPRECIATE EMBASSY ANALYSIS AND SUGGESTIONS ALTERNATIVE COURSES U.S. COULD PURSUE. INGERSOLL

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## Message Attributes

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**Capture Date:** 01 JAN 1994  
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**Disposition Approved on Date:**  
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